

Attorney General seeks dissolution of 15 Delaware LLCs and corporations used for criminal activities

Fraudulent companies include shells owned by Manafort, Gates, and Cohen; others used to undermine democratic processes and launder drug money

Attorney General Kathy Jennings announced Thursday that she has filed actions in the state Court of Chancery to dissolve 15 Delaware business entities for involvement in criminal activities.

State law allows the Attorney General to petition for cancellation of an entity's Delaware formation document when its powers, privileges, or existence have been abused or misused. Last year, the Attorney General filed under the same law to cancel the certificates of companies associated with Backpage.com.

The filings are based on referrals to the Attorney General by the Delaware Department of State for potential dissolution, following Department of State's adoption of new regulations in January 2019.

"We are proud of Delaware's central role in the business community," said Attorney General Jennings. "Maintaining that privilege means that we have to protect it from abuse. Today we are sending a clear message that Delaware will not tolerate or enable those who use the corporate franchise as an instrument of crime, fraud, and deception. We have worked with state and federal partners to identify and hold

accountable those who flagrantly used their business entities in criminal enterprise and we will continue to ensure that the advantages of doing business in Delaware are not abused to break the law."

In six complaints filed Thursday, the Attorney General requested the cancellation of either the certificate of formation or certificate of incorporation for each of the following entities:

LOAV Ltd., Davis Manafort International LLC, DMP International LLC, BADE LLC, Jupiter Holdings Management, LLC, and Davis, Manafort & Stone, Inc.: The principals of these companies, Paul Manafort and Richard Gates, pleaded guilty in 2018 to charges involving money laundering, failing to register as a foreign agent, failure to report bank transactions, and making false statements. Manafort was also convicted in 2018 by a jury of tax and bank fraud charges. The cases involved the two including using six businesses under their control to illegally conceal from the United States government millions of dollars in income received from the Ukrainian government, evading roughly \$1.4 million in personal income taxes owed to the IRS while funding lavish personal expenditures.

Essential Consultants LLC and Resolution Consultants LLC: As part of pleading guilty in August 2018 to Making False Statements to a Bank, Excessive Campaign Contribution, Causing an Unlawful Corporate Contribution, and 5 counts of Evasion of Personal Income Tax, Michael Cohen confessed to using Essential Consultants LLC, to facilitate a payment of \$130,000 to an adult film actress claiming to have been involved with then-presidential candidate Donald Trump, to pay for technology services purchased for the Trump campaign, and make other payments. Cohen admitted he planned to use Resolution Consultants LLC, to facilitate a \$125,000 payment to a second woman claiming involvement with Trump but canceled the agreement.

Agusta Grand I LLC and 200G PSA LLC: The District Court for the Southern District of Florida has found that these entities were used to launder money on behalf of the “Cartel of the Suns,” an organization consisting of upper-echelon members of the Venezuelan armed forces who smuggled cocaine into Mexico and the United States on behalf of the Revolutionary Armed Forces of Colombia. They are associated with El Aissimi Maddah, a Venezuelan drug trafficker and former Vice President of Venezuela. Both entities were placed on the federal OFAC sanctions list in May 2017 for violations of the Foreign Narcotics Kingpin Designation Act. They also failed to appoint a Delaware registered agent. (Agusta Grand I and 200G PSA are related but are addressed in two separate dissolution complaints.)

Oyster Investments LLC, Smile Technologies S.A. LLC, SMILEPAYMENTS, LLC, and WATER HILL CORP: These entities were placed on the OFAC sanctions list in May 2019 for violations of the Foreign Narcotics Kingpin Designation Act because they are controlled by individuals under federal indictment for involvement in a website called Goldpharma. The individuals are accused of using the entities to launder money associated with the illicit importing of the drugs Tramadol, Alprazolam, Carisprodol, Diazepam, Codeine and Tapentadol into the United States, ultimately funneling the money to Argentina. Oyster Investments LLC and Smile Technologies S.A. LLC also failed to appoint a registered agent, and SMILEPAYMENTS, LLC and WATER HILL CORP failed to pay their Delaware taxes.

Masters International Inc.: Masters was placed on the OFAC sanctions list in February 2009 for undermining the democratic processes or institutions of Zimbabwe pursuant to the federal government’s findings detailed in Executive Order 13469 by President George W. Bush issued July 25, 2008. The entity also failed to appoint a Delaware registered agent.

The next step in these cases is for the Attorney General to serve the summonses and complaints on the entities, after

which they will have to respond to the complaints according to the Court of Chancery Rules.

Legislation passed by the General Assembly and signed in July 2018 by Governor John Carney modified Delaware's Limited Liability Company Act to authorize the Attorney General to request that the Court of Chancery cancel the certificate of formation of a Delaware limited liability company. The Attorney General already had similar authority for Delaware corporations.

In November 2018, the Attorney General filed against sex-trafficking website Backpage.com, LLC and three related entities, after all four entities pleaded guilty in federal and state courts to engaging in human trafficking, conspiracy to commit money laundering, and organized criminal activity (racketeering). In June 2019, the Court of Chancery entered a consent judgment directing the Delaware Secretary of State to cancel the certificates of formation of the four Backpage entities 31 days following the completion of all proceedings in pending federal criminal cases in Arizona involving other individuals and entities associated with Backpage.